



DEPARTMENT OF ADMINISTRATIVE SERVICES



STATE OF CONNECTICUT

165 Capitol Avenue  
Hartford, CT 06106-1658

HB 6381

**AN ACT MAKING DEFICIENCY APPROPRIATIONS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2011**

**Committee on Appropriations**

**April 11, 2011**

Good afternoon Senator Harp, Representative Walker, Senator Kane, Representative Miner, and members of the Appropriations Committee. My name is Don DeFronzo and I am Commissioner of the Department of Administrative Services (DAS).

I am here today to testify on the two items in the deficiency appropriations bill - House Bill 6381 - that relate to DAS. The first item requests a \$600,000 deficiency appropriation for the DAS Workers' Compensation Administrator account; and the second item requests \$500,000 for the DAS Workers' Compensation Claims account.

The Workers' Compensation Administrator line item funds the contract for the Third-Party Administrator (TPA) hired by the State to provide workers' compensation claims administration for the State's workforce. The TPA provides a fully integrated, multi-faceted claims administration for the State of Connecticut that accommodates the diverse needs of the State and our employees. Among other things, the TPA provides comprehensive case management services, medical cost containment services, medical and legal consulting, litigation assistance to the Office of the Attorney General, and return-to-work services. By contract, at least 49 Connecticut-based employees are dedicated to the State of Connecticut account.

The FY 2011 budget fully funded this Workers' Compensation Administrator line item to enable DAS to satisfy our contractual obligations with the TPA. However, an across-the-board holdback on contract funds has resulted in a shortfall in this line item in the amount of \$1,354,683. DAS has been instructed by OPM to address the shortfall by:

- (1) Moving \$709,683 from DAS's Personal Services (PS) line item to the Workers' Compensation Administrator line item through the Finance Advisory Committee (FAC) process;
- (2) Seeking a hold back release from OPM in the amount of \$45,000; and

(3) Requesting \$600,000 as a deficiency appropriation.

As a result, we respectfully request that this Committee approve an additional \$600,000 deficiency appropriation for DAS for this line item so that we are able to meet our contractual requirements for these important services.

Turning to the Workers' Compensation Claims account, I am pleased to report that our projections have improved since DAS was last before the Appropriations Committee in November.

As you know, the legislature appropriates money into seven different accounts to pay workers' compensation benefits for all state employees. While DAS is the central workers' compensation program administrator for the whole state, some of the larger agencies receive their own appropriations to pay their workers' compensation claims (i.e. the Departments of Children & Families, Developmental Services, Mental Health & Addiction Services, Correction, and Public Safety. Additionally, the Workers' Compensation Claims - State Transportation Fund (STF) account, which DAS manages, pays the workers' compensation benefits for employees of the Department of Transportation and the Department of Motor Vehicles). The deficiency appropriation we are requesting today relates to what we call the General Government account (GG), which pays the workers' compensation claims for the Legislative Branch, the Judicial Branch, and for all Executive Branch agencies that have not been appropriated separate workers' compensation claims accounts.

When this Committee met in November 2010 to review projected deficiencies for this fiscal year, DAS had projected a deficiency in the General Government workers' compensation account in the amount of \$1 million. This projection was based on our analysis of paid losses following the first quarter of this fiscal year. Since that time, however, paid loss data has been more favorable, which has allowed us to reduce this projection by half. Because workers' compensation claims are volatile by nature, to provide relief against expenses that may result during the last quarter of the fiscal year, we are today requesting a \$500,000 deficiency appropriation for this account. As the fiscal year progresses, and we see the loss paid data for the next few months, we will continue to update our projections and provide OPM and the Committee with information about the necessity of these funds.

I thank you for the opportunity to provide testimony on these matters, and would be happy to answer any questions.